

MEMORANDUM OF UNDERSTANDING  
ILLINOIS DEPARTMENT OF TRANSPORTATION

UNITED STATES DEPARTMENT OF TRANSPORTATION  
FEDERAL HIGHWAY ADMINISTRATION

CURRENT BILLING AND CONCURRENT AUDIT PROGRAM

WHEREAS, a revised Memorandum of Understanding between the STATE and the Federal Highway Administration on the Current Billing and Concurrent Audit Program was executed on August 16, 1979; and

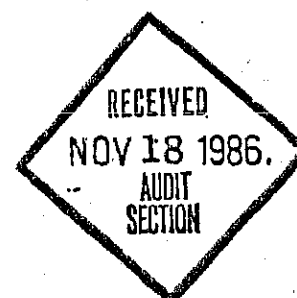
WHEREAS, certain terminology and procedures referred to in the Memorandum of Understanding are now obsolete; and

WHEREAS, there is a need to update and revise the Memorandum of Understanding;

NOW THEREFORE, the Parties hereto agree that the revised Memorandum of Understanding as stated hereafter shall constitute the agreement currently in force pertaining to the Current Billing and Concurrent Audit Program.

REVISED MEMORANDUM OF UNDERSTANDING  
CURRENT BILLING AND CONCURRENT AUDIT PROGRAM

The Illinois Department of Transportation, (hereinafter referred to as the "STATE"), and the United States Department of Transportation, Federal Highway Administration (hereinafter referred to as the "FHWA"), in a cooperative and joint program, developed a billing procedure which facilitates Federal-aid reimbursement to the STATE for expenditures under the Federal-aid Highway Program.



It is the purpose of this memorandum to update the understanding on behalf of both the STATE and FHWA as to the manner in which STATE claims will be submitted and supported, the payment of claims, other mutually agreeable criteria pertinent to the successful operation of the billing procedure and the Concurrent Audit Program.

The STATE recognizes that the correctness and propriety of all Federal-aid claims are its primary responsibility whether the primary cost documentation originates with the IDOT or with some third party. Two other essential elements of the plan are a complete understanding by FHWA of all pertinent financial and operating policies and procedures of the STATE and an agreement on how and when claims will be presented and settled.

The following statements represent our mutual understanding of the circumstances and procedures which have been discussed and agreed upon in connection with current billing submissions.

To assure effective control of costs, including a sound system of accounting on which Federal-aid reimbursement claims are based; the Parties hereto agree as follows:

The STATE agrees: (1) to review its established procedures of operation and control on a continuing basis, to ensure that its operations are audited in accordance with 49 CFR Part 90, to comply with the Single Audit requirements as outlined in Chapter 1 of 23 CFR, and to assure itself of the reliability of amounts reported as Federal funds earned in its claim against the FHWA; (2) to submit billings on a current basis; and (3) to assure that payments are made promptly after receipt of Federal reimbursement. The FHWA agrees: (1) to conduct a continuous review of operations and controls; (2) to advise the STATE promptly of matters requiring attention; and (3) to pay the STATE's claims promptly.

It is further understood and agreed between the Parties hereto that the current bills will be prepared in accordance with procedures set forth in the Federal-Aid Highway Program Manual 1-4-6.

1. Federal-aid Billing

a. A billing will be made at least once ever month from the STATE's accounting records. Interim billings may be made for any or all costs. The billing format will include the following information:

Federal Fund Code	Total Federal Share
State Job Number	Less Previously Billed
Federal Project Number	Net Amount to be Billed
Participating Percent	Adjustment Code
Total Actual Cost	Adjustment Amount
Total Participating Costs	Current Net Claim

b. A detailed listing of all expenditures and credits or portions thereof which occurred during the billing period will be available for review by FHWA. This listing will provide data which will permit ready identification of documents in support of cost items.

2. Accounting Control of Current Billings - The prime accounting controls to be exercised include, but are not necessarily limited to, the following:

a. Reconciliation of current and cumulative costs shown on billings with the General Ledger Controls.

b. Reconciliation of current and previous billings with Federal-aid Accounts Receivable Ledgers.

3. Nature and Scheduling of Audits - The IDOT Audit Section shall conduct audits of IDOT business in accordance with General Accounting Office Audit Standards. The scope of the audits may also include consideration of economy, efficiency, or effectiveness.

Audits of project related costs for third party contracts which are eligible for Federal participation (except those on a bid basis administered by the Division of Highways) are subject to this requirement. The audits shall be conducted by the External Audit Unit. Pre-award audits shall be conducted in accordance with FHPM 1-7-2.

The State is responsible for ensuring that subrecipients receiving Federal-aid funds through the State are audited in accordance with 23 CFR, Paragraph 12.3.

4. Determination of Eligibility of Federal Participating Costs - Determination of eligible costs will be in accordance with the following general guidelines:

a. Where it is determined by the Division Administrator on the basis of a functional review of the STATE's procedures, that there is no significant basis for monetary deductions or that only minor variations from established controls exist, the FHWA ordinarily will determine that costs have been reasonably supported and incurred under adequate management controls and approve the STATE's claim accordingly.

b. Where the Division Administrator, on the basis of a functional review of STATE procedures, determines that there is a significant basis for monetary deductions or that material variations from established controls exist, all affected costs reported in the STATE's claim will be rejected or required to be credited on the next current bill, as appropriate.

c. If the STATE disagrees with exceptions as determined under b. above, the amount will be shown as non-Federal participating until resolved. The STATE shall assume responsibility for preparation and submittal of rebuttal information in accordance with reclaim procedures. Such action by the STATE is required for further consideration by the FHWA of the costs in question. The FHWA shall evaluate the rebuttal submission and make a final determination of eligibility.

5. City of Chicago and Cook County - The STATE will maintain audit surveillance of, and if necessary, recommend revisions to the system of controls and procedures under which the city of Chicago and the Cook County Highway Department generate Federal-aid reimbursable costs.

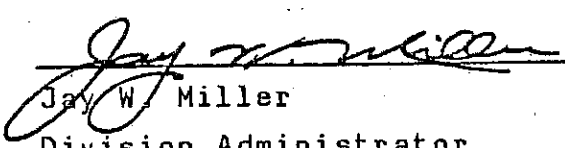
6. Metropolitan Planning Funds - The STATE acknowledges responsibility for allocating metropolitan planning funds to the Metropolitan Planning Organizations (MPOs) in accordance with an FHWA approved plan and to provide guidance to MPOs, other Local Planning Agencies, and other local agencies to enable their financial and administrative management programs to be adequate to assure reimbursement for costs to which they are entitled. FHWA personnel will assist IDOT in advising MPOs of Federal accounting, auditing, and other financial needs.

7. Operations and Procedures - The STATE will give prompt consideration to modifications or revisions of its procedures as suggested by the Division Administrator's reports.

The foregoing statements cover the major points on which a common understanding between the FHWA and the STATE exists. It is agreed that detailed day-to-day procedural problems will be mutually resolved at the operating level of the STATE and FHWA and will be placed in writing to avoid any possible misunderstanding.

Executed November 17, 1986 at Springfield, Illinois  
 Illinois Department of Transportation U.S. Department of Transportation

  
 Harry R. Hanley  
 Secretary

  
 Jay W. Miller  
 Division Administrator